Policy Title: Financial Management and Fiduciary Oversight

Category:	☒Institutional - Board ☐Academic - Administrative ☐Institutional - Administrative ☐Employment - Administrative		
Approved by:	☒Board ☐President		
Date approved:	April 25, 2025	Effective date:	April 25, 2025
Policy Sponsor:	Board Governance Committee Chair and President	Responsible Executive:	VP, Administration and Finance
Date last reviewed:	N/A – New Policy	Date of last revision of Procedures:	N/A – New Policy
Date of Mandatory Review (expiry date):	April 2028		

1. POLICY

Fiduciary Responsibilities

The Board of Governors (Board) holds the ultimate fiduciary responsibility for the financial health of CMCC. This responsibility includes oversight of financial resources and ensuring that financial decisions support CMCC's vision, mission and strategic objectives. The Board is to:

- Ensure resources are used effectively and efficiently to the benefit of CMCC
- Maintain long-term financial sustainability and integrity of CMCC
- Approve financial and investment decisions exceeding $250,000 (Operating) and $500,000 (Capital) that were not previously presented to the Board as part of the annual budget approval process
- Authorize the President to administer the budget as approved by the Board.

1. **Budget**

    a. The Board is to approve an annual budget, including operational sources of funds (revenues), uses of funds (expenses), new initiatives, and capital expenditures each year for implementation effective June 1st of the next fiscal year.

2. **Delegation of Authority for Budget Administration**

a. The Board assigns the primary authority for budget administration to the President. The President will manage the financial affairs of the institution within the budget approved by the Board for the fiscal year. The President may delegate operational responsibilities for fiscal management to the Vice President, Administration and Finance and/or other persons in accordance with their job descriptions.

b. The total operating budget may include an amount for special and general contingencies which are to be administered by the President or their delegated executive leadership team member(s).

3. Financial Reporting

a. It is the responsibility of the President to provide to the Board's Finance Committee budget reports no less frequently than quarterly. These reports are to include statements of financial position, statement of activities, cash flow statement, budget vs. actual variance analysis, endowment and investments, debt management, capital expenditures, reserves and a listing of all charges/encumbrances against the approved contingency budget.

b. At the Annual General Meeting, the audited financial statements for the fiscal year ended May 31 and the auditor's report will be reviewed and approved.

4. Audit

a. CMCC is committed to ensuring the accuracy, transparency, and integrity of its financial statements and systems of internal control. To this end, the independent auditor engaged to conduct the annual audit of CMCC's financial statements will do so in accordance with generally accepted auditing standards (GAAS). The Board's Finance Committee (or audit committee/subcommittee, if such is appointed) will:

   i. Review and recommend the selection of a qualified external audit firm, with final approval and appointment at the Board's Annual General Meeting.

   ii. Confirm that the audit is thorough and in compliance with applicable audit standards (e.g. Generally Accepted Audit Standards).

   iii. Review the auditors' findings, any concerns raised by way of a management letter, and ensure that management implements corrective action(s), as needed.

b. Auditor Independence is to be maintained by ensuring that:

   i. The auditor must have no financial interest in CMCC or its affiliates.

ii. The auditor is not to provide non-audit services (such as consulting or financial advising) that could compromise their independence, unless explicitly approved by the Board's Finance Committee.

iii. CMCC will undertake a review of the lead audit partner/firm in accordance with best practice.

c. Compliance and Accountability

i. CMCC will fully cooperate with the auditor during the audit process, providing access to financial records, internal reports, and any relevant personnel. The Board's Finance Committee is responsible for ensuring that any issues raised in the audit are addressed promptly and that compliance with regulatory and fiduciary standards are maintained.

d. Audit Report and Presentation

Upon completion of the audit, the auditor will prepare a report that includes:

i. An opinion on whether the financial statements present fairly, in all material respects, the financial position of CMCC for the year ended May 31, 20xx, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

ii. A management letter outlining any significant findings, material weaknesses, or recommendations for improving systems of internal control, if applicable.

The auditor's report will be presented to the Board's Finance Committee and subsequently presented at the Annual General Meeting for approval.

5. Signing Authority

a. The President is the only employee of CMCC that, as an Officer of the Corporation, can legally bind the Corporation, and is empowered to authorize the delegation of certain signing authority.

b. The institutional policy on Contract Management, Review and Approval includes provisions relating to delegation criteria for authorized signatories on contracts and other binding documents. These are customarily to be reviewed by legal counsel, with exceptions for routine recurrent agreements for such things as software and library subscriptions, continuing education speakers, and renewal of annual agreements with non-substantive changes.

c. The President and Board Chair must authorize, in writing, the expenditure of operating funds exceeding $250,000 and/or capital acquisitions exceeding $500,000 not previously presented to and approved by the Board as part of the annual budget approval process. Other signing limits are designated within the institutional Expenditure Authorization policy.

d. The Board Chair is the designated institutional signatory for all matters relating to the Collective Agreement covering Faculty personnel. The Board Chair may delegate institutional signing authority, in writing, to CMCC's designated bargaining team members.

e. The Board's Finance Committee is responsible for the ongoing oversight of investments.

6. Banking Authority

a. Board approval has, by resolution, and until otherwise amended by resolution, been delegated to the Vice President, Administration and Finance for the opening or closing of bank accounts in the name of CMCC, in accordance with CMCC operational requirements.

7. Investments and Endowed Funds

a. The Board is to ensure responsible management and oversight of investments and endowed funds through:

   i. Annual review and approval of an Investment Policy Statement, developed by Investment Counsel, that achieves the Board's investment objectives and addresses Board specified investment limitations and asset allocations.

   ii. Oversight of investments by the Board's Finance Committee.

b. All investment of funds made on behalf of CMCC by the President must be in accordance with the Investment Policy Statement and will reflect the following:

   i. The overall objective for invested funds is the preservation of capital, with investments to be conservative to moderate in nature with an allowance for alternative investments, as approved and in accordance with the Investment Policy Statement.

   ii. The determination of investments will adhere to the principles of a balanced portfolio as allowed by the Trustee Act of Ontario.

   iii. Investments by asset class will ensure sufficient liquidity to meet the annual cash flow requirements of CMCC.

8. Spending from Endowed Funds

a. Preservation of Principal

i. CMCC is committed to preserving the original gift (principal) of each endowment, ensuring that future generations will benefit from the funds. Spending from endowments is to be limited to the income generated, in accordance with this policy and the donor's intent

b. Annual Spending Rate

i. The spending rate from the endowment will be determined annually based on a rolling average of the endowment's market value over the preceding 12 quarters. The spending rate will typically range between 3-5% of the average market value, in alignment with CMCC's goal to maintain the purchasing power of the endowment over time.

c. Use of funds

i. Endowment income must be used in accordance with the donor's intent, as specified in the gift agreement. Any spending must be aligned with CMCC's strategic priorities and support its mission, including scholarships, faculty development, research, and other approved initiatives.

d. Reinvestment of Excess Income

i. If endowment income exceeds the amount required for annual spending, the excess may be reinvested into the endowment to help grow its principal or used to establish a reserve for future shortfalls, at the discretion of the Board's Finance Committee.

e. Oversight and Reporting

i. The Board's Finance Committee is to oversee the management of the endowment, ensuring that all expenditures follow the donor's intent and this policy. Regular financial reports will be prepared and made available to the Board's Finance Committee and donors, as appropriate.

f. Exception and Amendments

i. In rare circumstances, exceptions to the standard spending policy may be necessary. These exceptions must respect the original donor's intent as outlined in the gift agreement and adhere to all relevant legal and fiduciary obligations.

ii. Any exceptions to this policy must be submitted, in writing, to the Board's Finance Committee for review, accompanied by detailed justification, including any communication with the donor or their representatives, approved by the Board before implementation, and documented in the endowment's records, with annual reviews to ensure compliance with both the modified terms and any legal requirements.

iii. Donor Intent and gift Agreement

1.1 All exceptions to this policy must be evaluated in the context of the donor's original intent as expressed in the gift agreement. No exception may alter the fundamental purpose for which the endowment was established. Any proposed variation in spending that deviates from the original intent must comply with:

1.1.1 The explicit language of the gift agreement, including any stated restrictions or conditions.

2.1.1 The donor’s long-term goals, which may require consultation with the donor (or the donor’s estate or representatives) to clarify or seek consent for modifications, when possible.

iv. Changed Circumstances (Doctrine of Cy Pres)

1.1 In situations where the original purpose of the endowment is no longer feasible, practical, or relevant due to changed circumstances (e.g., the discontinuation of a program or drastic shifts in institutional priorities), CMCC may seek to modify the use of the endowment in accordance with the doctrine of cy pres. This legal principle allows the modification of charitable trusts when the original purpose is no longer possible, but it must remain as close as possible to the donor’s intent. Any such changes must be:

1.1.1 Approved by the Board.

2.1.1 Consistent with applicable provincial or federal regulations governing charitable gifts and endowments.

3.1.1 Potentially subject to judicial or regulatory review, depending on the nature of the endowment.

v. Financial Emergency

1.1 In cases of extreme financial emergency where the sustainability of CMCC may be at risk, the Board may approve a temporary exception to the spending rate or the purpose of the endowment. Such exceptions are to:

1.1.1 Be considered only after all other reasonable financial management strategies have been exhausted.

2.1.1 Require approval by a two-thirds majority of the Board.

3.1.1 Be subject to full disclosure and, where feasible, donor notification.

4.1.1 Include a formal plan for restoring the endowment’s principal and adhering to the original spending policy once the emergency has passed.

vi. Excess Income use

1.1 In cases where an endowment generates excess income beyond what is needed for the specified purpose, exceptions may allow for broader use of the income, provided such use remains consistent with the donor's general intent. This may include:

1.1.1 Reinvesting excess income into the endowment’s total principal balance.

2.1.1 Applying excess income to a closely related purpose if approved by the donor or, if the donor is unavailable, through the legal process of cy pres.

vii. Consultation with Legal Counsel

1.1 In cases where exceptions involve a potential deviation from the gift agreement or donor’s original intent, or in instances requiring a modification through cy pres, CMCC must consult with legal counsel to ensure all changes are compliant with applicable laws, including trust and charitable giving regulations.

9. Encumbrances

a. No encumbrance may be placed on the property or assets of CMCC without the prior written approval of the Board.

10. Insurance and Benefits

a. CMCC is to maintain an insurance policy to indemnify Board members for errors and omissions incurred during the performance of their duties as Board members.

b. CMCC will maintain, and be a beneficiary of, a life insurance policy on the President at an amount to be determined by the Executive Officers of the Board as established by the Presidential Contract. Because the President is a partial beneficiary of the policy, the premium portion attributable to their benefit is considered taxable income and must be reported as a taxable benefit on their T4 slip.

2. PURPOSE

To outline the CMCC Board of Governors' financial management, fiduciary oversight responsibilities, and processes to ensure prudent and effective management of CMCC's financial resources.

3. SCOPE

The Board of Governors, President, executive administrators, budget administrators, Budget Development Group, and external financial managers for CMCC banking and investments.

4. INFORMATION AND COMPLIANCE PLANS (not a comprehensive list)

- Ontario Trustee Act **(**R.S.O. 1990, CHAPTER T.23)
- CMCC Bylaws

5. RELATED POLICIES (not a comprehensive list)

- Acceptance of Gifts
- Contract Management, Review and Approval
- Enterprise Risk Management
- Expenditure Authorization
- Reimbursement of Business Expenses

6. DEFINITIONS

Budget Centre Manager (a.k.a. budget administrator) is a CMCC manager, director, dean, or other person responsible for the development and management of a budget.

Budget Development Group (BDG) is an advisory committee to the President charged with evaluating and prioritizing operational and capital budget requests, new initiatives, and recommending an initial draft budget annually.

Capital Assets are tangible or intangible assets that have a long-term use and are expected to provide value over a period longer than one fiscal year, supporting the institution's operations, infrastructure, or academic mission. The minimum capitalization threshold is established by CMCC's Finance Division. Capital assets include a wide variety of asset types, such as land, buildings and related components (e.g., heating, plumbing, electrical systems), building improvements, equipment (e.g., laboratory instruments, computers, teaching technology), furniture and fixtures, library collections and other academic materials, and Intangible assets such as software, patents, and licenses, provided they meet the criteria for capitalization. Most capital assets are subject to depreciation or amortization over their useful life, reflecting their gradual consumption or wear of their useful economic life; land is not depreciated.

Endowment is a fund created through receipt of donations that are invested to generate ongoing sources of income, with the principal value typically preserved, to support CMCC's long-term financial stability and specific purposes such as scholarships, research, or academic programs. The income generated from the endowment is used according to donor intent or institutional priorities.

Fiduciary responsibilities are the legal and ethical obligation of individuals, such as board members or administrators, to act in the best interest of CMCC, ensuring responsible management of assets, transparency, and accountability. This includes duties of loyalty, care, and good faith in decision-making, always prioritizing CMCC's welfare over personal interests.

Management letter is a document provided by an independent auditor to CMCC's management and Board, summarizing any significant findings, weaknesses in systems of internal control, or areas for improvement identified during the audit, along with recommendations for enhancing financial operations and governance.

New Policy Approved (date):	
Policy Revision History (dates):	

7. PROCEDURES

1. Budget Development and Approval

a. Annually, the Board Executive Committee is to present the President with Board Budget Requirements and Guidelines to use in the development of the annual budget. The Budget Requirements and Guidelines establish specific criterion on tuition increases, and provide for mandatory funding for contingencies, continued building of the institution's reserves, and funding of capital/infrastructure acquisitions.

b. The President is responsible for presenting a draft budget to the Board's Finance Committee for deliberation prior to it being forwarded to the full Board. Under the President's direction, the following processes are to be undertaken.

   i. The President is to direct the Vice President, Administration and Finance (VPAF) to initiate a budget planning process conforming to the Board approval Budget Requirements and Guidelines and including all budget centre managers/budget administrators, as well as designated members of the Budget Development Group (BDG) with appropriate campus stakeholder representation. The VPAF, or their designate, is to inform the campus community of the beginning of the annual budgeting cycle, typically commencing before the end of the calendar year.

   ii. The BDG is to be chaired by the VPAF and functions as an advisory committee to the President, The BDG does not set the budget, nor does it approve/disapprove specific items, salary matters, or tuition changes. Its primary task is to provide the President with recommendations on requested changes in the operating budget (including new initiatives), requested capital budget items, and suggestions for other financial matters affecting the budget. During its deliberations, the BDG may question the budget managers about any requested changes or new initiatives, explore options, and prioritize its recommendations. The BDG may become engaged in debating the merits of implementation of new initiatives or expanding costs of current initiatives, tuition increases or other sources of revenue. The BDG's members are not to function as representatives of their specific constituencies, but rather to function collectively on behalf of the institution. The draft budget that is forwarded to the President will be based upon the BDG's perspective of institutional needs and priorities. All deliberations and recommendations of the BDG are to be kept confidential and not shared with other members of the CMCC community except for the President, Executive Leadership Team, and Board.

iii. At least one member of the Board's Finance Committee will be appointed as a liaison to the Budget Development Group.

iv. The VPAF is to inform the President of the recommendations of the BDG. The President, following deliberations with their Executive Leadership Team, is to forward a draft operational and capital budget, to the Board's Finance Committee for review and recommendation.

v. The Board's Finance Committee, following its deliberations, is to forward to the Board a final budget for consideration for approval at the semi-annual meeting.

vi. The final approved operational and capital budget is to be presented to the President and all other members of the Executive Leadership Team for implementation at the commencement of the new fiscal year on June 1.

2. Audit

a. Selection of Auditors

i. The independent auditor is to be a licensed and reputable firm with expertise in higher education and non-profit financial management. The selection of the auditor will be overseen by the Board's Finance Committee. A competitive request for proposal process will be conducted in accordance with best practice to ensure objectivity and cost-effectiveness.

ii. The Vice President, Administration and Finance is to present the Finance Committee recommended audit firm for approval and appointment at the Annual General Meeting.

New Procedure Approved (date):	
Procedure Revision History (dates):	

8. ATTACHMENTS

None.